Village of Carbon

Consolidated Financial Statements

For the Year Ended December 31, 2023

VILLAGE OF CARBON

DECEMBER 31, 2023

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MANAGEMENT'S RESPONSBILITY FOR FINANCIAL REPORTING

Management of the Village of Carbon is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Village's financial position as at December 31, 2023 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

Village Council meets annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council is also responsible for the engagement or re-appointment of the external auditors. The Village Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Gregory, Harriman & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Village's consolidated financial statements.

Chief Administrative Officer
June 17, 2024

GHA GREGORY HARRIMAN & ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of Village of Carbon (the Village), which comprise the consolidated statement of financial position as at December 31, 2023, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Carbon as at December 31, 2023, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Village`s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village`s financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian

generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village`s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management`s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gregory, Harriman & Associates LLP

Strathmore, Alberta
June 17, 2024

Gregory, Harriman & Associates LLP
Chartered Professional Accountants

Village of Carbon
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents *(Note 2)*	**$ 68,359**	$ 69,641
Taxes and grants in place receivable *(Note 3)*	**27,968**	9,674
Trade and other accounts receivable *(Note 4)*	**53,644**	60,720
Goods and Services Tax receivable	**6,703**	6,509
Investments *(Note 5)*	**90,483**	87,238
Land inventory held for resale	**24,700**	24,057
Other financial assets	**7,071**	6,704
	278,928	264,543
LIABILITIES		
Bank indebtedness *(Note 6)*	**94,998**	5,745
Accounts payable and accrued liabilities *(Note 16)*	**81,629**	70,150
Deposit liabilities	**6,445**	5,433
Deferred revenue *(Note 7)*	**67,908**	101,735
Long term debt *(Notes 9, 10)*	**114,179**	204,043
Asset retirement obligation *(Note 11)*	**294,640**	-
	659,799	387,106
NET FINANCIAL ASSETS (DEBT)	**(380,871)**	(122,563)
NON-FINANCIAL ASSETS		
Commercial land inventory	**20,029**	20,029
Prepaid expense *(Note 17)*	**31,500**	21,000
Tangible capital assets (Schedule 2)	**5,844,125**	5,659,577
	5,895,654	5,700,606
ACCUMULATED SURPLUS (Schedule 1) *(Note 13)*	**$ 5,514,783**	$ 5,578,043

CONTINGENCIES *(Note 15)*

COMMITMENTS *(Note 17)*

Approved by: _____ Mayor _____ Chief Administrative Officer

Village of Carbon
Consolidated Statement of Operations
For the Year Ended December 31, 2023

	Budget (Unaudited)	**2023**	2022
REVENUE			
Net municipal property taxes (Schedule 3)	*$ 469,892*	**$ 480,311**	$ 455,500
Sale of goods and user charges	*753,259*	**539,455**	604,314
Penalties and costs on taxes	*9,350*	**11,455**	7,886
Licenses and permits	*8,200*	**5,741**	7,634
Franchise and concession contracts	*74,722*	**53,725**	49,283
Investment income	*3,500*	**2,841**	2,626
Government transfers (Schedule 4)	*232,012*	**277,542**	168,532
Other revenues	*15,197*	**4,154**	4,214
Gain on disposal of tangible capital asset	-	**476**	-
Parkview Lodge	*68,710*	**71,283**	73,576
TOTAL REVENUE	*1,634,842*	**1,446,983**	1,373,565
EXPENSES (Schedule 5)			
Legislative	*44,606*	**29,839**	41,474
Administration	*400,931*	**439,480**	472,751
Protective services	*68,350*	**65,398**	89,839
Roads, streets, walks and lighting	*348,563*	**496,330**	435,652
Water supply and distribution *(Note 16)*	*166,201*	**181,985**	198,613
Wastewater treatment and disposal	*21,500*	**72,000**	60,750
Waste management	*56,166*	**51,004**	50,667
Planning and development	*33,845*	**30,326**	26,763
Public health and welfare	*9,498*	**9,420**	7,942
Recreation, parks and culture	*200,824*	**225,288**	274,267
Loss on disposal of tangible capital asset	-	**-**	20,350
Parkview Lodge	*78,553*	**79,684**	60,947
TOTAL EXPENSES	*1,429,037*	**1,680,754**	1,740,015
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	*205,805*	**(233,771)**	(366,450)
OTHER			
Government transfers for capital (Schedule 4)	*125,681*	**170,511**	353,517
TOTAL OTHER INCOME	*125,681*	**170,511**	353,517
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	*331,486*	**(63,260)**	(12,933)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	*5,578,043*	**5,578,043**	5,590,976
ACCUMULATED SURPLUS, END OF YEAR	*$ 5,909,529*	**$ 5,514,783**	$ 5,578,043

Village of Carbon
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2023

	Budget (Unaudited)	**2023**	2022
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	*$ 331,486*	**$ (63,260)**	$ (12,933)
Acquisition of tangible capital assets (Schedule 2)	*(179,045)*	**(434,382)**	(142,877)
Proceeds on disposal of tangible capital assets	-	**476**	20,798
Amortization of tangible capital assets (Schedule 2)	-	**249,834**	243,870
Gain on disposal of tangible capital assets	-	**(476)**	-
Loss on disposal of tangible capital assets	-	**-**	20,350
Acquisition of prepaid expense	*(10,185)*	**(10,500)**	(10,500)
	(189,230)	**(195,048)**	131,641
INCREASE (DECREASE) IN NET ASSETS	*142,256*	**(258,308)**	118,708
NET FINANCIAL ASSETS, BEGINNING OF YEAR	*(122,563)*	**(122,563)**	(241,271)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	*$ 19,693*	**$ (380,871)**	$ (122,563)

Village of Carbon
Consolidated Statement of Changes in Cash Flows
For the Year Ended December 31, 2023

	2023	2022
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess (shortfall) of revenue over expenses	**$ (63,260)**	$ (12,933)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	**249,834**	243,870
Gain (loss) on sale of tangible capital assets	**(476)**	20,350
	186,098	251,287
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	**(18,294)**	9,276
Decrease (increase) in trade and other receivables	**7,076**	55,778
Decrease (increase) in Goods and Services Tax receivable	**(194)**	4,326
Decrease (increase) in land held for resale	**(643)**	3,425
Decrease (increase) in other financial assets	**(367)**	(316)
Increase (decrease) in accounts payable and accrued liabilities	**11,479**	(90,933)
Increase (decrease) in deposit liabilities	**1,012**	(712)
Increase (decrease) in deferred revenue	**(33,827)**	(49,303)
Increase (decrease) in asset retirement obligation	**294,640**	-
Decrease (increase) in prepaid expenses	**(10,500)**	(10,500)
Cash provided by operating transactions	**436,480**	172,328
Capital		
Acquisition of tangible capital assets	**(434,382)**	(142,877)
Sale of tangible capital asset	**476**	20,798
Cash applied to capital transactions	**(433,906)**	(122,079)
Investing		
Decrease (increase) in restricted cash	**19,930**	50,536
Decrease (increase) in investments	**(3,245)**	(521)
Cash provided by (applied to) investing transactions	**16,685**	50,015
Financing Activities		
Long term debt repaid	**(89,864)**	(89,351)
Long term debt issued	**-**	-
Cash provided by (applied to) financing transactions	**(89,864)**	(89,351)
Change in cash and cash equivalents, during the year	**(70,605)**	10,913
Cash and cash equivalents, beginning of the year	**43,966**	33,053
Cash and cash equivalents, end of the year	**$ (26,639)**	$ 43,966
Cash and cash equivalents is made up of *(Note 2)* :		
Cash and cash equivalents	**$ 68,359**	$ 69,641
Bank indebtedness	**(94,998)**	(5,745)
Less: restricted portion of cash *(Note 2)*	**-**	(19,930)
	$ (26,639)	$ 43,966

Village of Carbon
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2023
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	**2023**	2022
BALANCE, BEGINNING OF YEAR	$ (45,571)	$ 155,512	$ 5,468,102	**$ 5,578,043**	$ 5,590,976
Excess of revenue over expenses	(63,260)	-	-	**(63,260)**	(12,933)
Unrestricted funds designated for future use	(10,033)	10,033	-	-	-
Current year funds used for tangible capital assets	(139,742)	-	139,742	-	-
Annual amortization expense	249,834	-	(249,834)	-	-
Capital long term debt repaid	(82,396)	-	82,396	-	-
Change in accumulated surplus	(45,597)	10,033	(27,696)	**(63,260)**	(12,933)
BALANCE, END OF YEAR	$ (91,168)	$ 165,545	$ 5,440,406	**$ 5,514,783**	$ 5,578,043

Village of Carbon
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	**2023**	2022
COST:								
BALANCE, BEGINNING OF YEAR	$ 613,941	$ 1,090,246	$ 1,694,989	$ 5,703,580	$ 558,188	$ 328,165	**$ 9,989,109**	$ 9,944,187
Acquisition of tangible capital assets	-	21,431	294,640	8,180	-	110,131	**434,382**	142,877
Construction-in-process	-	-	-	-	-	-	**-**	-
Disposal of tangible capital assets	-	-	-	-	-	(32,710)	**(32,710)**	(97,955)
BALANCE, END OF YEAR	613,941	1,111,677	1,989,629	5,711,760	558,188	405,586	**10,390,781**	9,989,109
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	309,600	833,240	2,560,247	402,580	223,865	**4,329,532**	4,142,469
Annual amortization	-	48,993	50,656	115,960	17,509	16,716	**249,834**	243,870
Accumulated amortization on disposals	-	-	-	-	-	(32,710)	**(32,710)**	(56,807)
BALANCE, END OF YEAR	-	358,593	883,896	2,676,207	420,089	207,871	**4,546,656**	4,329,532
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 613,941	$ 753,084	$ 1,105,733	$ 3,035,553	$ 138,099	$ 197,715	**$ 5,844,125**	$ 5,659,577
2022 Net Book Value of Tangible Capital Assets	$ 613,941	$ 780,646	$ 861,749	$ 3,143,333	$ 155,608	$ 104,300	$ 5,659,577	

Village of Carbon
Schedule of Property and Other Taxes
For the Year Ended December 31, 2023
(Schedule 3)

	Budget (Unaudited)	**2023**	2022
TAXATION			
Real property taxes	*$ 576,930*	**$ 586,933**	$ 546,995
Linear property taxes	*16,373*	**16,716**	15,206
	593,303	**603,649**	562,201
REQUISITIONS			
Alberta School Foundation Fund	*105,957*	**105,957**	105,156
Kneehill Housing Corporation	*1,684*	**1,699**	1,545
Police Funding	*15,682*	**15,682**	-
Designated Industrial Property	*88*	**-**	-
	123,411	**123,338**	106,701
NET MUNICIPAL TAXES	*$ 469,892*	**$ 480,311**	$ 455,500

Village of Carbon
Schedule of Government Transfers
For the Year Ended December 31, 2023
(Schedule 4)

	Budget (Unaudited)	**2023**	2022
TRANSFERS FOR OPERATING			
Provincial Government	*$ 139,433*	**$ 195,524**	$ 87,387
Other Local Governments	*92,579*	**82,018**	81,145
	232,012	**277,542**	168,532
TRANSFERS FOR CAPITAL			
Provincial Government	*125,681*	**170,511**	353,517
	125,681	**170,511**	353,517
TOTAL GOVERNMENT TRANSFERS	*$ 357,693*	**$ 448,053**	$ 522,049

Village of Carbon
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2023
(Schedule 5)

	Budget (Unaudited)	**2023**	2022
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits *(Note 14)*	*$ 508,918*	**$ 516,177**	$ 526,410
Contracted and general services *(Note 16)*	*466,491*	**501,886**	476,188
Materials, goods, supplies and utilities	*343,831*	**349,312**	369,583
Transfers to individuals and organizations	*51,746*	**50,243**	46,844
Interest on capital long term debt	*23,265*	**7,794**	7,236
Amortization of tangible capital assets	-	**249,834**	243,870
Loss on disposal of tangible capital asset	*10,500*	**-**	20,350
Other expenses	*24,286*	**5,508**	49,534
	$ 1,429,037	**$ 1,680,754**	$ 1,740,015

1) Significant Accounting Policies

The Village of Carbon (the "Village") is a Municipality in the Province of Alberta. The consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of these accounting policies adopted by the Village are as follows:

A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial resources. Included with the municipality are the following:

Parkview Lodge of Carbon

The schedule of taxes levied also includes operating requisitions for educational and other external organizations that are not part of the municipal reporting entity. Interdepartmental and organizational transactions and balances are eliminated.

B. Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

C. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets as well as indeterminate settlement date for related asset retirment obligation of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

D. Valuation of Financial Assets and Liabilities

The Village's financial assets and liabilities are measured as follows:

Financial statement component	Measurement
Cash	Cost
Investments	Cost
Trade and other receivables	Lower of cost or net recoverable value
Bank indebtedness	Cost
Accounts payable and accrued liabilities	Cost
Long-term debt	Amortized cost

(Continues...)

Significant Accounting Policies *(Continued)*

E. Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations. Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

F. Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected in property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year.

G. Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

H. Asset Retirement Obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Village to incur retirement costs, the past transaction or event given rise of the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or other with extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Village reviews the carrying amount of the liability. The Village recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows of the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Village continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(Continues...)

Significant Accounting Policies *(Continued)*

I. Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

J. Deferred Revenue

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

K. Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

L. Land Inventory Held for Resale

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective functions.

M. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(Continues...)

Significant Accounting Policies *(Continued)*

i. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital asset, is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10-45
Buildings	25-50
Engineered structures	
Roadway system	5-65
Water distribution system	45-75
Wastewater treatment system	45-75
Machinery, equipment and furnishings	5-40
Vehicles	10-40

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective tangible capital asset classification. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

N. Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. In 2024, the Village will continue to assess the impact and prepare for the adoption of these standards. While the timing of the standard adoption may vary, certain standards must be adopted concurrently.

i. Revenue

PS3400, Revenue establishes standards on how to account for and report on revenue, specficailly in regard to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2023.

ii. Purchased Intangibles

PSG-8, Purchased Intangibles, allows for purchased intangible assets to be recognized as assets in the public sector entity's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2023.

(Continues...)

Significant Accounting Policies *(Continued)*

iii. Public Private Partnerships

PS3160, Public Private Partnerships, establishes standards on how to account for certain arrangements between public and private entities. The standard provides guidance on situations where a public entity acquires infrastructure assets using a private sector partner that designed, builds, or finances the infrastructure asset past the point where it is ready for use. This standard is applicable for fiscal years beginning on or after April 1, 2023.

2) Cash and Cash Equivalents

	2023	2022
Parkview Lodge of Carbon	$ 44,000	$ 45,064
Bank	24,309	24,527
Petty cash	50	50
	$ 68,359	$ 69,641

The Village received Government grants that are restricted in their use and are to be utilized as funding for capital projects. Since projects have not been completed for which the funding has been received $0 (2022 - $14,497) is not available for general use by the Village. *(Note 7)*

Included in cash is $6,445 (2022 - $5,433) of deposit liability funds which are not available for current purposes.

3) Taxes and Grants in Place Receivable

	2023	2022
Current taxes and grants in place	$ 23,706	$ 7,707
Tax arrears and grants in place	4,262	1,967
	$ 27,968	$ 9,674

4) Trade and Other Accounts Receivable

	2023	2022
Water and sewer receivable	$ 48,831	$ 45,489
Accounts receivable - cost recovery	4,813	6,718
Accounts receivable - other	-	8,513
	$ 53,644	$ 60,720

5) Investments

	2023	2022
Term deposit	$ 90,483	$ 87,238

The term deposit represents Connect First Credit Union investment certificate that bears interest of 4.88% and matures in April 2024. The Village received Government grants that are restricted in their use and are to be utilized as funding for capital projects. Since projects have not been completed for which the funding has been received $67,326 (2022 - 87,238) is not available for general use by the Village *(Note 7)*.

6) Bank Indebtedness

	2023	2022
Bank Indebtedness	**$ 94,998**	$ 5,745

The Village of Carbon has an overdraft limit of $300,000, bearing interest at prime with an effective rate of 7.20%, of which $205,002 remains unused at December 31, 2023. Bank overdraft is issued on the credit and security of the Village at large.

7) Deferred Revenue

	2023	Received	Recognized	2022
Canada Community Building Fund	**$ 33,773**	$ 50,000	$ (30,410)	$ 14,183
Municipal Sustainability Initiative - Capital	**22,478**	87,115	(139,932)	75,295
Kneehill County - Fire Agreement	**9,750**	-	-	9,750
Parkview - Canada Mortgage and Housing Corporation	**1,907**	-	(600)	2,507
	$ 67,908	$ 137,115	$ (170,942)	$ 101,735

Deferred revenue is comprised of the funds noted above, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

All of the unexpended funds held in deferred revenue are supported by temporary investments as noted in Note 5.

8) Contaminated Sites Liability

The Village has adopted PS3260 Liability for Contaminated Sites. The Village did not identify any financial liabilities in 2023 (2022 - nil) as a result of this standard.

9) Long Term Debt

	2023	2022
Connect First Credit Union loan	**$ 41,566**	$ 103,233
Kubota tractor capital lease	**41,947**	64,333
Kubota skid steer capital lease	**30,666**	36,477
	114,179	204,043
Less: Current portion	**(70,285)**	(89,864)
	$ 43,894	$ 114,179

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2024	70,285	4,108	74,393
2025	25,382	790	26,172
2026	6,355	467	6,822
2027	6,548	274	6,822
2028	5,609	77	5,686
Thereafter	-	-	-
	$ 114,179	$ 5,716	$ 119,895

The bank loan payable at the Connect First Credit Union bears an interest rate of Connect First Credit Union prime less 0.5% with an effective rate of 6.70% and is payable annually. Maturity date of loan is October 1, 2024.

There are two Kubota equipment lease contracts payable to Kubota Canada Ltd.

(Continues...)

9) Long Term Debt *(Continued)*

Tractor lease bears an interest rate of 1.54%, is payable monthly with a maturity date of lease is October 2025. The lease is secured by an asset with a net book value of $93,091.

Skid Steer lease bears in interest rate of 2.99%, is payable monthly with a maturity date of lease is November 2028. The lease is secured by an asset with a net book value of $56,283.

The bank loan is issued on the credit and security of the Village at large.

Interest on long term debt amounted to $7,794 (2022 - $7,236).

The Village's total cash payments for interest in 2023 were $7,794 (2022 - $7,236).

10) Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Carbon be disclosed as follows:

	2023	2022
Total debt limit (1.5 * total eligible revenue)	**$ 2,063,550**	$ 1,949,984
Total debt *(Note 6, 9)*	**209,177**	204,043
Unused total debt limit capacity	**$ 1,854,373**	$ 1,745,941
Service on debt limit (0.25 * total eligible revenue)	**$ 343,925**	$ 324,997
Service on debt (next years principal and interest due)	**169,391**	93,722
Unused service on debt limit capacity	**$ 174,534**	$ 231,275

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

11) Asset Retirement Obligation

Asbestos abatement:
The Village owns four buildings which contain asbestos and, therefore, the Village is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The construction of the building structures with asbestos were completed prior to April 1, 2022 and that based on the allowed prospective adoption of PSAB 3280 the obligation, has been recognized in the current year. Undiscounted future cash flows expected are an abatement cost in the years:

Year	**Cost**
2029	35,488
2039	426,977
2044	80,604

	2023	2022
Balance, beginning of year	**$ -**	$ -
Liabilities incurred	**294,640**	-
Estimated total liability	**$ 294,640**	$ -

The estimated total liability of $294,640 (2022 - $0) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 7.20% and assuming annual inflation of 3.00%. The Village has not designated assets for settling the abatement activities.

12) Equity in Tangible Capital Assets

	2023	2022
Tangible capital assets (Schedule 2)	**$ 10,390,781**	$ 9,989,109
Accumulated amortization (Schedule 2)	**(4,546,656)**	(4,329,532)
Long term debt - Capital	**(109,079)**	(191,475)
Asset retirement obligation (Note 11)	**(294,640)**	-
	$ 5,440,406	$ 5,468,102

13) Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2023	2022
Unrestricted surplus (Schedule 1)	**$ (91,168)**	$ (45,571)
Restricted surplus (reserves)		
General Contingency - Operating	**61,536**	61,536
General Administrative - Capital	**71,313**	71,313
Parkview Lodge of Carbon	**21,245**	11,212
Fire Equipment - Capital	**11,451**	11,451
Equity in tangible capital assets *(Note 12)*	**5,440,406**	5,468,102
	$ 5,514,783	$ 5,578,043

14) Salary and Benefits Disclosure

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	**Total 2023**	Total 2022
Councilor Anderson, T.	$ 5,250	19	**$ 5,269**	$ 5,276
Councilor Lomond, M.	5,300	45	**5,345**	5,773
Councilor McHugh, B.	2,275	15	**2,290**	4,187
Councilor O'Brien, R.	2,170	-	**2,170**	3,372
Councilor Peever, B.	4,050	75	**4,125**	8,626
Councillor Jimmo, R.	1,375	-	**1,375**	-
Councillor Cormier, T.	2,025	-	**2,025**	-
Chief Administrative Officer (Van der Meer)	82,413	13,757	**96,170**	103,926
Interim Chief Administrative Officer (Little)	10,594	2,188	**12,782**	-
Designated Officers (2)				
	$ 115,452	$ 16,099	**$ 131,551**	$ 131,160

(1) Salary includes regular base pay and any other direct cash remuneration, including vacation.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

15) Contingencies

The Village is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

16) Related Party Transactions

The Aqua 7 Regional Water Commission has been identified as a related party. The Village of Carbon has entered into an agreement with the Commission for a supply of water service.

Service fees are based on budgeted operating costs of the Commission. Water purchases are based on actual water consumption during the year. Fees and rates are reviewed by the Commission on an annual basis.

Service fees and water purchases paid to the Commission for 2023 were $149,567 (2022 - $156,338) for water purchases and $9,548 (2022 - $9,548) for the Village of Carbon's share of reserve.

Amount payable to the Commission at December 31, 2023 is $19,612 (2022 - $20,328).

17) Commitments

The Village is committed to make annual payments of $10,500 to Kneehill County until 2035 for the purchase of a Fire Engine Truck (Village's portion of asset will be 30%). Payments to December 31, 2023 have been recorded as a prepaid expense.

18) Budget Amounts

The 2023 budget for the Village was approved by Council June 2022 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and grants, deposit and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

		Budget (Unaudited)	Actual
Budget surplus per financial statements		**$ 331,486**	(62,468)
Add:	Amortization	**-**	249,042
	Cost of lot sales	**-**	13,357
Less:	Capital expense	**(179,045)**	(139,742)
	Long-term debt repayments	**(129,068)**	(89,864)
	Transfers to reserves	**(13,188)**	(10,033)
	Gain on sale of assets	**-**	(476)
	Kneehill County deposit	**(10,185)**	(10,500)
Equals:	Balanced Budget	**$ -**	(50,684)

19) Financial Instruments

The Village's financial instruments consist of cash and equivalents, taxes and grants in place receivable, trade and other accounts receivable, investments, other financial assets, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, and long term debt. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Village is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments.

Credit Risk

The Village of Carbon is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village of Carbon provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

20) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

21) Approval of Financial Statements

Council and Management have approved these financial statements.

GHA GREGORY HARRIMAN & ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

June 17, 2024

To the Mayor and Members of Council of the
Village of Carbon

Dear Sir/Madam:

We have finalized the audit of Village of Carbon for the year ended December 31, 2023. We would like to take this opportunity to thank the Village staff for their cooperation and assistance during the course of this audit. The objective of an audit is to obtain reasonable assurance that the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly, an audit would not usually identify all such matters. However, we encountered some weaknesses in the control systems that should be addressed. These weaknesses have been identified solely as a result of the audit and are not the result of a detailed study of the accounting systems of the Village of Carbon. The matters identified are as follows:

1. The submission date of the audited municipal financial information return and audited financial statements to Municipal Affairs is May 1st following the fiscal year end and April 30, 2024 for the bank.

   Due to lack of information surrounding the Asset Retirement Obligations (AROs) needed for the 2023 year end, the return and statements were not provided to Municipal Affairs or the bank by their respective deadlines. We recommend that the Village ensure that information needed to meet new accounting standards is gathered well before the commencement of the audit.

2. The balance in the Village's reserves currently exceeds the cash resources to fund these reserves.

   Council should review the balances that have been allocated to reserves and reconsider the designation of these funds. Consideration of current and future cash resources available to support these allocations should be considered in this process.

3. The Village's accumulated surplus net of equity in Tangible Capital Assets continues to decline.

   Council should be aware that the Village's accumulated surplus has been declining since 2018. If this number continues to decline into a negative position, this could be an indicator that the Village may not be able to continue as a going concern. This would be required to be reported on the financial statements.

The purpose of the audit was for the auditor to express an opinion on the financial statements.

The audit included consideration of internal control relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control; and,

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.